

# The Coffee Economy of Guatemala, 1850-1918: Development and Signs of Instability

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By the time of the First World War, the foundations of Guatemala, as we know it today, had been well established. The geographic distribution of coffee raising had attained approximately its present form; and production, although less than it is at present, was beginning to approach the same order of magnitude. The commercial economy of Guatemala revolved about the production and exportation of coffee.

In the pages which follow, I propose to examine the experience of Guatemala in coffee production from the middle years of the nineteenth century to World War I, when the international economy suffered a drastic change, with two principal themes in mind: (1) to bring out the forces which promoted expansion of coffee cultivation; (2) to analyze the reactions to the instability in coffee markets which appeared in the last years of the nineteenth century and the first years of the twentieth. Other features of coffee production in Guatemala will be treated briefly, in order to round out the picture. Also, it seems useful to place the whole coffee development in a larger historical setting, by starting with a light sketch of Guatemala's experience in export production before coffee raising became important.

*Guatemala's Export Production Prior to the Development of Coffee.* In the early colonial period, Guatemala became known as an exporter of gold, cacao and indigo. The gold resources, which consisted of native hoards and alluvial sands, proved to be limited

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in amount, and very little gold was obtained after the end of the sixteenth century. Cacao exports were likewise confined largely to the sixteenth century, when Guatemala was a principal supplier for the Mexican market. Export taxes and other colonial regulations put into force about the end of the sixteenth century, combined with the competition of cacao shipped out of Guayaquil, caused a rapid decline in this industry in the seventeenth century.

Indigo was much less important than cacao in the early colonial period, but it proved to have much greater staying power. A good deal of Guatemalan indigo was shipped to Mexico and Peru, and to European markets, which assumed increasing importance. The high value of indigo in relation to its bulk and weight enabled it to bear the high transport costs to European markets, where its use as a dyestuff expanded with the growth of textile manufacturing. In the late colonial period, indigo was the leading export of Guatemala, and thus the principal means of paying for imports. However, a decline in indigo exports set in towards the end of the eighteenth century, as competition from other Latin American areas made itself felt, and as the English-Spanish wars made it difficult to ship to European markets. Production began to fall off correspondingly. By the middle of the nineteenth century indigo production was of minor importance in Guatemala.

Another dyestuff, cochineal, assumed some importance in Guatemala during colonial times. Like indigo production, output of cochineal declined about the end of the eighteenth century, but subsequently a revival took place, owing to the introduction of new cactus seed from southern Mexico. Production and exports followed an irregular but rising curve until about the middle of the nineteenth century, when cochineal seems to have become the main export of Guatemala. The boom was, however, a brief one. Shortly after 1850 cochineal began to feel strong and growing competitive pressure from chemical dyes. This competition in foreign markets, which ultimately overwhelmed Guatemala's cochineal industry, gave an impulse to develop coffee production, as a promising source of a new major export commodity.

*Development of the Coffee Economy in Guatemala.* There has been a great deal of debate in Guatemala about the introduction of

coffee and the early history of coffee-growing in that country.<sup>1</sup> It seems clear that by the early part of the nineteenth century, at any rate, coffee was being raised on a minor scale in Guatemala. Subsequently, some expansion took place, but no special attention was paid to the crop until shortly before the middle of the century, when the Guatemalan government began to take an interest in stimulating the production of coffee.

The new orientation in government policy was indicated in a pamphlet published in 1845 by Manuel Aguilar, a writer who had been greatly impressed by the development of coffee production in Costa Rica.<sup>2</sup> In 15 years' time, Aguilar maintained, coffee had brought prosperity to Costa Rica. He urged Guatemala to follow the example of her neighboring country, and argued that there was no need to fear the effect of expansion of coffee production on the price of coffee, since he anticipated that progressive increases in demand would absorb increases in output. Most of the pamphlet is devoted to technical details concerning the planting, cultivation, and processing of coffee. However, Aguilar also reprints an official document, dated August 12, 1845, which shows that the government was trying to encourage coffee production by obligating itself to buy coffee at certain fixed prices, as well as by disseminating information on methods of cultivation and on natural conditions best suited to coffee growing.

In the years following 1845, private groups added their efforts to those of the government to induce farmers to plant coffee. Thus, the journal published by the Sociedad Económica de Amigos del Estado de Guatemala contains numerous articles and news items about the advantages of raising coffee. At the end of 1846 it was reported<sup>3</sup> that coffee was becoming an article of more general con-

<sup>1</sup> See, for example, the evidence reviewed in Juan Antonio Alvarado, *Tratado de caficultura práctica* (Guatemala, 1936), vol. 2, pp. 512, 537. See also Chester L. Jones, *Guatemala Past and present*: (Minneapolis, 1940), pp. 203-204.

<sup>2</sup> *Memoria sobre el cultivo del café, arreglada a la práctica que se observa en Costa-Rica, escrita por el Ldo. Dn. Manuel Aguilar; y mandada imprimir por el Consulado de Comercio de Guatemala* (Guatemala, 1845). A copy of this rare pamphlet was consulted in the Archivo General de Gobierno (Guatemala), "Varios Folletos, 1845 a 1847."

<sup>3</sup> *La revista: periodico seminario de la Sociedad Económica de Amigos del Estado de Guatemala*, Vol. 1, No. 2 (December 10, 1846), pp. 6-7.

sumption in Guatemala, and that production was not adequate to satisfy that demand. As evidence, it was noted that the government's purchases of coffee had been resold promptly to the public. The same report showed a growing interest in producing for export markets. It was pointed out that coffee consumption in Europe had been mounting rapidly, and that the European market was being expanded by the lowering of transport costs.<sup>4</sup> Similarly, the market for coffee in the United States had been growing. At the same time, competitive production in the Caribbean region was on the decline, owing principally to hurricane damage and to the loss of soil fertility. The article wound up by urging quick action to plant more coffee in order to take advantage of improved market conditions.

This plea to plant more coffee was repeated with emphatic regularity by the Sociedad Económica and the government throughout the 1850's. In 1852 the Sociedad Económica appointed a liaison committee to work with the government in promoting coffee cultivation. Provincial officials were constantly directed by the central government to encourage coffee planting in their provinces.<sup>5</sup> Information about coffee raising in Costa Rica, El Salvador, and other countries, was published from time to time, instructions on coffee growing were distributed, and coffee producers were urged to adhere to higher standards of selection and processing in order to make Guatemalan coffee more attractive in export markets. An item published in the *Gaceta de Guatemala* in 1856 shows that the government had also contracted with one producer to establish a "model finca," where other growers could observe the advantages of improved methods.<sup>6</sup>

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<sup>4</sup> The advantage of hindsight has made it commonplace for us to emphasize the revolutionary effects on transport costs which were set in motion about the middle of the nineteenth century by combined developments in the railroad and the steamship. The unknown Guatemalan author of the article in *La Revista* . . . showed a keen appreciation of these changes in 1846, when he wrote: "Railroads and steamships, [by] making communication cheaper, have facilitated trade, and have made it possible to extend [the consumption] of necessities and conveniences of life among all classes of people and among all nations." (*Ibid.*, p. 7.)

<sup>5</sup> For example, *Gaceta de Guatemala*, August 29, 1851, p. 1; *ibid.*, April 7, 1852, p. 1.

<sup>6</sup> *Gaceta de Guatemala*, June 12, 1856, p. 8.

Efforts to stimulate the coffee industry continued on an ascending scale in the 1860's and 1870's. Although no production statistics are available for this period, several observers reported that coffee planting was on the increase.<sup>7</sup> The rapid displacement of cochineal by chemical dyes, which by the 'sixties was threatening virtually to extinguish Guatemala's exports, gave a strong sense of urgency to the campaign to expand coffee output, since by that time coffee was looked upon as the single most promising export substitute for cochineal. The results were not everything that the coffee enthusiasts had hoped for, judging from their frequent expressions of dissatisfaction, but it appears that they were substantial in character, and that a foundation was laid for subsequent developments of greater importance. According to Alvarado, in 1855 Guatemala exported only 95 quintals of coffee.<sup>8</sup> In 1870, according to official figures, coffee exports had reached 113,000 quintals, and by 1880 they had risen to about 290,000 quintals;<sup>9</sup> this increase in the decade of the 'seventies amounted to 150 per cent.

Shortly before 1880, two additional steps to encourage coffee production were taken by the government at the instigation of President Barrios, a strong advocate of coffee expansion in Guatemala. In 1877 coffee was exempted from the payment of export taxes.<sup>10</sup> Two years later the government established coffee nurseries, from which plants were distributed without charge to farmers who could not afford to buy them.

By 1880 coffee was securely established in the Guatemalan economy, and Guatemala was well on the way to becoming a mono-economy with coffee as the center of its commercial production. Both internal and external forces contributed to this result. Internally, the government and a number of private individuals had made strong efforts to develop coffee production in order to make up for the deficiency caused by the decline in exports of cochineal. Externally, the principal contributing circumstances were the cheapening of transport costs and the growth of foreign markets for

<sup>7</sup> Jones, *op. cit.*, p. 204.

<sup>8</sup> Alvarado, *op. cit.*, vol. 2, p. 539.

<sup>9</sup> Secretaría de Fomento, *Memoria*, 1885, appendix 12.

<sup>10</sup> Ministerio de Fomento, *Memoria*, March 1879, p. 5.



coffee. An indication of the trend in world coffee consumption prior to 1880 can be gained from the estimates of world production employed by the International Institute of Agriculture.<sup>11</sup> In the decade 1850-1859, average annual production was 647 million pounds. By the decade 1870-1879, it had risen to 1,020 million pounds, an increase of about 57 percent. These data are for production rather than consumption. However, since world consumption and world production figures are fairly close to each other for the decade of the 'eighties, when consumption estimates are available, it is reasonable to suppose that the production averages for the earlier decades are a good guide to consumption as well.

An impression of the growth of coffee production in Guatemala subsequent to 1880 can quickly be gained from the figures in the following tabulation, showing average annual exports by five-year periods, 1880-1919.

Guatemala's Coffee Exports (in quintals)

<i>Period</i>	<i>Annual Average</i>
1880-1884 .....	324,313
1885-1889 .....	484,662
1890-1894 .....	543,223
1895-1899 .....	760,200
1900-1904 .....	681,368
1905-1909 .....	807,914
1910-1914 .....	773,769
1915-1919 .....	846,679

Source: Calculated from data in Jones, *Guatemala: Past and Present*, p. 210.

By the 'eighties, Guatemala had attained the relative position in world coffee production which it held throughout the whole period prior to World War I. The following figures show Guatemala's

<sup>11</sup> International Institute of Agriculture, *Studies of the Principal Agricultural Products on the World Market*, No. 9, *The World's Coffee*, p. 96.

coffee output as a percentage of total world production, by five-year periods: <sup>12</sup>

1885-1889	3.0%
1890-1894	3.7%
1895-1899	3.7%
1900-1904	3.1%
1905-1909	3.6%

During this same period, however, Guatemala advanced its position in world output of "mild" coffees. Relative to the total production of the principal countries producing "mild" coffees, Guatemala occupied the following position, by five-year periods: <sup>13</sup>

1885-1889	7.0%
1890-1894	8.7%
1895-1899	11.0%
1900-1904	11.1%
1905-1909	14.0%

As coffee production in Guatemala expanded after the middle of the nineteenth century, and as cochineal exports declined, coffee became the dominant item in Guatemala's export trade. It is not possible to trace this development statistically, owing to the lack of comparable figures for total and coffee export values. However, it has been possible to assemble the following figures for the early 'eighties, showing the importance which coffee had attained by that time.

#### Guatemala's Exports, in Thousands of Pesos

Year	Total	Coffee	Coffee as percent of of total
1880	4,425	4,057	92
1881	4,084	3,645	89
1882	3,719	3,133	85
1883	5,718	4,849	85

Source: Data on total exports for 1880-1882, from Secretaria de Fomento, *Memoria*, 1884, appendix 6, table 8; for 1883, Secretaria de Fomento, *Memoria*, 1885, appendix 12, table 16. Data on coffee exports from Oficina de Estadística, *Informe*, 1885, p. 33.

<sup>12</sup> Calculated from data in International Institute of Agriculture, *op. cit.*, pp. 96-99.

<sup>13</sup> Calculated from data in International Institute of Agriculture, *op. cit.*, pp. 98-99.

Coffee production also attracted foreign capital and enterprise to Guatemala. This development appeared early, but it seems to have been accelerated around 1880. In 1879 the Minister of Fomento made a special point to report that a number of foreigners had approached his agency, requesting information about private and public lands that might be purchased or leased for the purpose of raising coffee.<sup>14</sup> Because of the importance which Germany attained as a consuming and importing center for "mild" coffees, German firms early became prominent in the marketing of Guatemalan coffee.<sup>15</sup> Apparently, a considerable number of Germans extended their operations from the coffee trade to the production end of the business, by developing new fincas or acquiring existing fincas from Guatemalans. Some were obtained by German creditors from insolvent planters during times of crisis.<sup>16</sup> In 1913, the earliest year for which statistics on nationality of ownership have come to hand, 170 coffee fincas in Guatemala were owned by Germans. In the same year, fincas owned by Guatemalans numbered 1,657. However, the German-owned fincas were larger and better developed on the average, for they produced 358,000 quintals of coffee as compared with a total production of 525,000 quintals on the fincas owned by Guatemalans.<sup>17</sup> Thus, with only 10 per cent as many fincas, the German-owners produced about two-thirds as much coffee as the Guatemalans.<sup>18</sup>

The influence of coffee development in Guatemala was by no means confined to changing the composition of exports and inducing an inflow of foreign capital and enterprise. The effects penetrated deeply into the indigenous economy of the Guatemalan Highlands, and into the indigenous culture as well. Central to this in-

<sup>14</sup> Ministerio de Fomento, *Memoria*, 1879, p. 75.

<sup>15</sup> In 1900, Germany took 60 per cent of Guatemala's coffee (Jones, *op. cit.*, p. 211). In 1913, the German share was 55 per cent; see Louise Hearst, "Coffee Industry of Central America," in *Economic Geography*, Vol. 8, No. 1 (January 1932), p. 64.

<sup>16</sup> International Institute of Agriculture, *op. cit.*, p. 134.

<sup>17</sup> These statistics are found in Secretaría de Fomento, *Memoria*, 1915, p. 7.

<sup>18</sup> German owners frequently imported German agronomists to make improvements in methods of raising coffee on their fincas. José Antonio Pérez Calderón, *Aspectos económicos de la inmigración en Guatemala* (mimeo., Guatemala, 1952), p. 78.



fluence was the demand for Indian labor to work in the coffee fincas, whether on a seasonal, or a more permanent, basis, for this demand gave rise to a new chapter in the use of forced Indian labor.

Forced labor has, of course, a long history in Guatemala, going back to colonial days, when the *repartimiento* was commonly employed. Later in the colonial period, when indigo production assumed importance, peonage came into use as a substitute for the *repartimiento*, although the older institution did not die out entirely. The subsequent decline in the exportation of dyestuffs, however, caused a similar decline in the use of forced labor. Indians were still legally subject to labor draft, but the need for labor was small, and their services were exacted with moderation. Around the middle of the nineteenth century, forced labor was a modest burden on the Indian population.

The expansion of coffee raising brought a revival and extension of peonage, and a tightening of the bonds which kept the peon at work. The government of Guatemala came to consider it a main function of public authority to insure an adequate labor supply for the coffee fincas. Vagrancy laws were enacted to force the Indians to enter into contractual relations to work, these laws were strictly enforced, and a number of other methods were contrived to exert pressure on the Indian population to labor in the coffee fincas.<sup>19</sup>

It is not my intention to discuss the many ramifications of the use of forced labor in the coffee fincas of Guatemala. The topic has been introduced in order to illustrate the broad proposition that the development of the coffee economy had far-reaching consequences for the Guatemalan people as a whole. Forces were set in motion to bring about important changes in the indigenous economy of the Highlands—a process of change which has been con-

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<sup>19</sup> The following quotation from a report by a provincial official will serve as an illustration of the role of government: "Agriculturists were attended, as always, in connection with their complaints about fugitive workers; workers who had received advances were punished, and turned over to their former employers or to new employers who paid up their debts. Provincial and local authorities also gave assistance in every way to agriculturists in obtaining people to work." (Secretaría de Fomento, *Memoria*, 1910, p. 86.)

tinuous to our day.<sup>20</sup> Similarly, a new process of acculturation got under way, and it is for this reason that students of Maya ethnology have marked off the years since 1800 as a separate period in the sequence of Maya cultural development.<sup>21</sup>

*Instability.* With the development of coffee production in Guatemala, the economy began to show sensitivity to demand, supply and price conditions in foreign markets. There is some evidence of concern about a drop in coffee prices in 1874, but this incident seems to have been highly temporary in nature. A more serious drop occurred from 1882 to 1884. Nevertheless, it was reported by official sources in 1885 that those who had embarked on coffee cultivation had not lost confidence, and that they were counting on a renewed expansion in coffee markets.<sup>22</sup> This expectation proved to be well founded, for prices and market conditions were very good for the producers in the late 'eighties. In 1889, and again in 1890, it was reported that the attractive prices which had prevailed for the past few years had induced a great deal of new planting.<sup>23</sup> At the same time, Guatemala was establishing a reputation for producing coffee of high quality; at an exposition in Paris in 1888, Guatemalan coffee was awarded a first prize<sup>24</sup>

The first major setback occurred in 1897. It was caused principally by a jump in coffee output in Brazil, and it is an early illustration of the powerful influence which Brazilian production has had on the world coffee situation. Brazil's coffee crop, which

<sup>20</sup> Changes in the indigenous economy have actually become apparent principally in the period subsequent to the First World War. These developments are dealt with in my article, "Indigenous Economy in Latin America," in *Inter-American Economic Affairs*, Vol. 8, No. 3 (Winter 1954), pp. 3-25.

<sup>21</sup> Oliver LaFarge employs the classification "Recent Indian II" for the period since 1880 in his paper, "Maya Ethnology: the Sequence of Cultures," in *The Maya and Their Neighbors* (New York, 1940), pp. 281-291. A similar approach is found in Antonio Goubaud Carrera, "Indian Adjustments to Modern National Culture," in *Selected Papers of the XXIXth. International Congress of Americanists*, pp. 244-248.

<sup>22</sup> Secretaría de Fomento, *Memoria*, 1885, p. 4.

<sup>23</sup> Secretaría de Fomento, *Memoria*, 1889, pp. 3-4; also, *Memoria*, 1890, p. 67.

<sup>24</sup> Dirección General de Estadística, *Informe*, 1889, p. 7.

amounted to about one-half of world output between 1850 and 1880, rose to approximately two-thirds of the world total in the latter half of the 'nineties, following a period of active new planting. The following figures show the spurt which took place in Brazilian production in 1897.

Brazilian Coffee Production (in millions of pounds)

<i>Crop year ending</i>	<i>Output</i>
Average, 1890-1894 .....	778
1895 .....	957
1896 .....	792
1897 .....	1,231
1898 .....	1,483
1899 .....	1,233
Average, 1895-1899 .....	1,139

Source: International Institute of Agriculture, *The World's Coffee*, p. 96.

The increase in Brazilian output from 1896 to 1897 amounted to 55 per cent. If we compare five-year averages, which are, of course, more stable than annual figures, it will be noted that the increase was still impressive; output rose from 778 million pounds in 1890-1894 to 1,139 in 1895-1899, an increase of 46 per cent.

Coffee prices slumped considerably in 1897. According to Wickizer,<sup>25</sup> the New York price of coffee was less than half the level prevailing at the opening of the decade.<sup>26</sup> Producers in Guatemala were badly shaken, and it was especially at this time that German creditors took over coffee fincas from planters who were unable to pay their debts.

The coffee crisis of 1897 gave rise to a strong reaction in Guatemala. The optimism of the past was replaced by uncertainty regarding the future. For the first time, doubts were expressed about the way in which the Guatemalan economy had been developing,

<sup>25</sup> V. D. Wickizer, *The World Coffee Economy* (Stanford, 1943), p. 139.

<sup>26</sup> The severity of the drop in 1897 is also shown by the chart in Elizabeth W. Gilboy, "Time Series and the Derivation of Demand and Supply Curves: A Study of Coffee and Tea, 1850-1930," in *Quarterly Journal of Economics*, vol. 48, no. 4 (August 1934), p. 672, in which logarithms of "corrected price," rather than actual price data, are plotted.

with coffee as the heart of its commercial production. The effects of coffee expansion on other branches of agriculture were brought under scrutiny, and stress began to be placed on the need to increase production of foodstuffs, as well as on the diversification of agricultural exports.

The re-appraisal of Guatemala's agriculture which started with the coffee crisis of 1897 was not simply a development of the moment, but remained as a continuing theme in subsequent years. In 1899 a Department of Agriculture was organized as a branch of the Ministerio de Fomento. The first published report of this department illustrates clearly the new outlook. Although no statistics were cited, the report points out that Guatemala had found it necessary to import corn and other foodstuffs, whereas before coffee production became so extensive articles of prime necessity were produced in adequate amounts, and at low prices, within the country itself. As the report puts it:

This situation has resulted from the general tendency of all to devote themselves to a single branch of agriculture; whereas, if some of the farmers devote themselves to the production of coffee, it is natural to expect others to apply themselves to providing articles of daily consumption, and to the development of the livestock industry.<sup>27</sup>

Farmers were, therefore, urged to increase production of such basic foods as corn, beans, potatoes, wheat and rice—"to shake off, once and for all, the vassalage to foreign importation, which makes us tributaries of countries to which Nature has not been as bountiful in natural conditions for production."<sup>28</sup> At the same time, coffee raisers were asked to give attention to other export crops. If coffee prices should improve, producers were enjoined to take advantage of the situation to develop other export crops which, unlike coffee, were not subject to the risks caused by huge production.

From 1897 to 1909 the world coffee situation was characterized by two main features: (1) in general a low level of coffee prices;<sup>29</sup>

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<sup>27</sup> *Memoria de la Dirección General de Agricultura desde su fundación hasta Diciembre de 1902*, p. 12.

<sup>28</sup> *Ibid.*, p. 11.

<sup>29</sup> See chart in Gilboy, "Time Series . . .," *op. cit.*, p. 672.

(2) disrupting effects of fluctuations in Brazilian output. Brazilian production moved to higher levels, and, in addition, Brazil produced two bumper crops in 1901-1902 and 1906-1907. Brazilian producers had hardly felt the effects of the coffee crisis in 1897, owing to a simultaneous fall in the Brazilian exchange rate, and they had, therefore, continued new planting on an active scale. By 1900, after the milreis had begun to rise, the Brazilian producers were experiencing hardship,<sup>30</sup> and Guatemalans were complaining about the continuing unsatisfactory price for their coffee. Then came the huge crop of 1901-1902, which was about 35 per cent higher than that of the preceding year. According to Wickizer, prices on the New York Coffee Exchange slumped to the lowest level ever recorded. This event marks the beginning of efforts to control the supply of coffee coming onto the market. An international conference of coffee-producing countries was called in 1902, but no agreement was arrived at. In the same year new coffee planting was forbidden in Sao Paulo for a period of five years.<sup>31</sup> This prohibition was subsequently extended for an additional five-year period. Meanwhile, in anticipation of the record crop of 1906-1907, Brazil adopted a new control measure in the form of the first valorization scheme.

The world coffee situation in 1906, with an enormous Brazilian crop to come onto the market, gave rise in Guatemala to vigorous official statements about the dangers of depending on the one export crop, coffee.<sup>32</sup> The government offered prizes to encourage the production of new export crops, such as henequen. At the same time, the Minister of Fomento noted with satisfaction that the exportation of bananas, which had been encouraged by abolition of an export tax in 1901, was making considerable headway. In 1906, too, the United Fruit Company began its operations in Guatemala,<sup>33</sup> a development which led to a great expansion in banana production and exports in subsequent years.

<sup>30</sup> V. D. Wickizer, *op. cit.*, p. 139.

<sup>31</sup> J. F. W. Rowe, *Studies in the Artificial Control of Raw Material Supplies: No. 3, Brazilian Coffee* (Royal Economic Society, Memorandum No. 34, 1932), p. 8.

<sup>32</sup> Secretaría de Fomento, *Memoria*, 1906, p. 4.

<sup>33</sup> Jones, *op. cit.*, p. 213.



The twin themes of this period—need to diversify agricultural exports and need to increase food production—were reiterated in the official report of the Minister of Fomento in 1908.<sup>34</sup> Guatemala, it was pointed out, had come to be at the mercy of fluctuations in coffee prices, some of which had their origins in purely speculative operations. In a further effort to cope with this situation, two additional steps had been taken in 1907. One, compulsory planting had been ordered for wheat, beans, corn, rice, potatoes and yuca (manioc), by setting minimum production quotas for each local administrative unit (municipio). The Minister of Fomento contended, perhaps with excessive official optimism in view of his failure to cite figures, that this measure had brought about a reduction in the importation of foodstuffs and a lowering of food prices. The other measure involved setting up agricultural experiment stations, in an effort to raise crops which might prove successful in diversifying Guatemala's agricultural economy.

From 1909 to 1913 coffee prices were on the rise, and there was a noticeable tapering off in official action to diversify agricultural exports and expand food production. Thus, the Minister of Fomento reported in 1912, with evident gratification, that Guatemalan coffee was commanding high prices in European markets, that coffee cultivation was being expanded, and that finca owners were destined to establish "solid fortunes" in a few years from their earnings.<sup>35</sup> The experience of the preceding years had not been entirely forgotten, for the Minister referred to continuing efforts to increase the output of foodstuffs, but it is clear that the earlier keen sense of urgency had become dull under the influence of improved market conditions for the coffee producers.

A new element of uncertainty was created by the First World War, inasmuch as Germany was the principal market for Guatemalan coffee. Taking the war period as a whole, however, it does not appear that Guatemala was seriously upset. It was not until 1917, according to Ukers,<sup>36</sup> that the Allies were able to put a stop to the shipment of coffee to Germany through neighboring countries.

<sup>34</sup> Secretaría de Fomento, *Memoria*, 1908, p. 12.

<sup>35</sup> Secretaría de Fomento, *Memoria*, 1912, p. 4.

<sup>36</sup> William H. Ukers, *All About Coffee* (New York, 1935), p. 462

Guatemala's coffee exports dropped in 1914, and again in 1915, but the fall was modest, and even in the latter year exports were higher than they had been in most years prior to the outbreak of the war. A decline took place in coffee prices, but judging from the mildness of comments on the price trend, the change was not severe. Furthermore, by 1915 Guatemalan coffee, which won the only grand prize at the San Francisco Exposition,<sup>37</sup> was beginning to enjoy greater favor with consumers in the United States. Exports rose materially in 1916 and 1917, and prices stiffened. By the end of the war the popularity of mild coffees had become well established in the United States, and thereafter Guatemala found its principal market in this country.

By the end of the First World War, coffee production in Guatemala had gone through more than half a century of active expansion. Development had not been continuous, for there had been over ten years of instability and uncertainty in coffee markets following the coffee crisis of 1897. But the memory of those years had faded under the influence of the more benign market conditions prevailing from 1909 to 1913, and the expansion of American consumption of mild coffees had eased the pains of adjustment to war-time conditions. Nevertheless, the period of instability had generated sharp reactions, and had given Guatemala a taste of what was to appear in a much more acute form in the dislocated international economy of the inter-war period, and especially during the depression decade of the 'thirties.

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<sup>37</sup> Secretaría de Fomento, *Memoria*, 1916, p. 9.